

H-3106-1 - TRANSFERS BY ASSIGNMENT, SUBLEASE, OR OTHERWISE

II. Assignments of Record Title Interest - Partial Interest

The processing of a partial record title assignment on a nonproducing lease is initially identical to any record assignment up to that point when the State Office Adjudication personnel identifies that the assignment (or series of assignments) conveys 100 percent of record title in less than all of the lands in a lease to an assignee that holds no interest in the non-assigned lands of the lease. This segregates the assigned and retained portion into separate leases. The new lease created upon partial assignment is given a new serial number, but retains the same terms and conditions, as well as the effective (anniversary) date of the original lease. More specific information on assignments and segregations of producing leases can be found in Handbook 3105-1 and Handbook 3107-1.

A. Processing

Responsible

<u>Official</u>	<u>Step</u>	<u>Action</u>	<u>Keywords</u>
Adjudication	1.	Process partial assignments following the steps in Section I of this Handbook to determine whether any corrections are required, e.g., proper execution of the assignment forms and any bonds required. If corrective action or denial of the request for approval is required, follow the appropriate steps for preparing any decision as indicated in Section I, above.	PROCESS PARTIAL ASSIGNMENT
	2.	When a partial assignment is filed that would result in a lease segregation and the annual rental is timely paid by the assignee or assignor for the involved lands, the assignment may be approved after termination of the base lease due to nonpayment of full lease rental (see <u>Ladd Petroleum Corp.</u> , 70 IBLA 313 (1983)). Hard-copy evidence of a timely paid partial rental remittance must be verified and documented in the case file. If the MMS-DMD information in the BIS does not verify the receipt of the rental, request evidence from the assignee (see Illustration 15). It also may be necessary to reconcile payments with the MMS-DMD.	ASSIGNMENT ON TERMINATED LEASE

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Responsible

Official	Step	Action	Keywords
	2a.	Any portion of a base lease covered by a pending assignment, for which proper partial rental amount is timely paid, shall not terminate.	RENTAL PAID TIMELY FOR ASSIGNED LANDS
	2b.	Any remaining portion of a base lease without a pending assignment, for which insufficient or no rental was paid, shall terminate.	RENTAL NOT PAID FOR ASSIGNED LANDS
	3.	Obtain the next available serial number and set up a new case file for the partial assignment. Effective November 1, 1984, partial assignments, regardless of when they were filed, shall be given a new serial number upon assignment approval, rather than a supplemental alphabetical prefix attached to the original lease serial number. Keep in mind, however, that the last partial assignment out of the base lease is an entire assignment that is to retain the original lease serial number.	OBTAIN NEW SERIAL NUMBER
	4.	If the lease is producing, maintain the original lease serial number with that portion of the lease that contains the well in order to reduce the burden and workload on the industry and Field Office fluid mineral operations personnel. This avoids the following problems: A new First Production Memorandum to open a new account is not needed. The MMS does not need to close an old account and open a new one.	USE OF OLD SERIAL NUMBER FOR PRODUCING LEASE
	4c.	The company does not need to change the lease serial number in its records and change the identification number on the well.	

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		Annotate the new serial number on all copies of a partial assignment in the appropriate space on the form.	NEW SERIAL NUMBER PLACED ON FORM
	6.	Prepare a single copy of the accounting advice to ensure the update of the base lease (reducing applicable acreage) and creation of new case file for partial assignment lease (see Illustration 16). Forward promptly to the MMS-DMD through the State Office Accounts Section.	PREPARE ACCOUNTING ADVICE AND REDUCE BASE LEASE ACREAGE
		<u>NOTE:</u> The MMS has agreed to routinely transfer funds from the current year's rental on the parent lease to the partial assignment lease account.	
	7.	Since the BLM and the MMS have agreed that neither office shall attempt to collect the incremental rental difference that may be caused by a partial assignment or lease segregation, annotate the accounting advice, when applicable, to clearly indicate: "INCREMENTAL RENTAL DIFFERENCE OF \$----, DUE TO PARTIAL ASSIGNMENT, WAIVED UNTIL NEXT MMS REGULAR BILLING CYCLE."	WAIVER OF INCREMENTAL RENTAL DIFFERENCE DUE TO PARTIAL ASSIGNMENT
	7a.	The additional rental required as a result of the partial assignment shall not be due and payable to the MMS until the next scheduled MMS courtesy notice billing cycle for the involved leases.	
		<u>NOTE:</u> This waiver shall apply regardless of the additional incremental annual rental rate per acre involved, e.g., \$.50, \$1, \$1.50, \$2, \$5, \$10, etc.	
	8.	If rental is due in less than 90 days, mark the accounting advice to the MMS-DMD as "Special" in order to alert the MMS of the change needed for the annual rental courtesy billing notice.	

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	9.	Process partial assignments on leases in their extended lease term as follows:	
	9a.	If the partial assignment is on a producing lease that has passed the end of its primary term, the term of the lease by partial assignment or the base lease (retained portion of lease), whichever is undeveloped (producing), is extended for a term of 2 years from the effective date of the partial assignment in accordance with 43 CFR 3107.5-2 and 3107.5-3 (see Handbook 3107-1). Because the terms of both leases can become confusing, both the assignor and the assignee are to be advised of any effect of the approval of the partial assignment on the extension of the lease term of either the retained or assigned portions of the lease (see Illustration 17).	EXTENSION OF LEASE TERM OF ASSIGNMENT ON PRODUCING LEASE
	9b.	A partial assignment out of a base lease that was originally issued prior to September 2, 1960, whether or not the lease is producing, requires careful examination of the lease terms and the applicable regulations at 43 CFR 3107.5-2 (see also Handbook 3107-1), since other extensions may be appropriate for either the retained or the assigned portion of the lease.	ORIGINAL LEASE ISSUED PRIOR TO SEPTEMBER 2, 1960
	10.	Include in the new case file a complete copy of the original lease and all of the stipulations that apply, and copies of any documents indicating subsequent actions on the lands assigned, i.e., extensions, explanation of irregular acreage figures, etc.	COPY OF ORIGINAL LEASE AND STIPULATIONS IN NEW CASE FILE
	11.	Prepare a worksheet for the partial assignment (see Illustration 18).	WORKSHEET

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Title Records	12.	Update historical index (HI) and status plats, or other appropriate records to show the new serial number and the amendment to the base lease. Place updated status plat in both lease case files.	UPDATE PLATS AND HI
Adjudication	13.	Prepare assignment Form 3000-3 for approval in the same manner as in Step I.F, above.	PREPARE FORM FOR APPROVAL
	14.	Prepare standard preprinted notice of partial assignment approval (see Illustration 19). Attach copy of notice to copies of form to be transmitted to assignee/assignor.	ATTACH STANDARD NOTICE TO APPROVED PARTIAL ASSIGNMENT
ALMRS Entry	15.	Update base lease in accordance with the current data standards (see Illustration 20, Page 1).	AUTOMATED NOTATION
	15a.	Enter Action Date (MANDATORY ACTION CODE): Date assignment approved by authorized officer; DE 1775 Action Code 563/DE 2910 Action Code 139; Action Remarks: "EFF MM/DD/YY;" <u>AND</u> Enter Action Date (MANDATORY ACTION CODE): Date of approval of partial assignment when case segregated by assignment; DE 1775/2910 Action Code 570; Action Remarks: "INTO (<u>Lease serial number of new case;</u>)". Update acreage for base lease. Update legal land description for base lease.	

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	16.	<p>Create new case file serial register page for approved partial assignment (new lease) using the same Case Type (DE 2961/DE 2912) as base lease (see Illustration 20, Page 3):</p> <p>Enter Action Date (MANDATORY ACTION CODE): Date case created by approval of assignment with new serial number; DE 1775 Action Code 551/DE 2910 Action Code 553; Action Remarks: "OUT OF (<u>Serial number of parent (base) lease;</u>)".</p>	AUTOMATED NOTATION
	16b.	<p>Enter Action Date (MANDATORY ACTION CODE): Date parent lease issued; DE 1775 Action Code 001/DE 2910 Action Code 387.</p> <p>Enter Action Date (MANDATORY ACTION CODE): Effective date of parent lease; DE 1775 Action Code 225/DE 2910 Action Code 868.</p>	
	<u>NOTE:</u>	Do not enter DE 1775 Action Code 176/DE 2910 Action Code 237 on the new lease case.	
	16d.	<p>Enter Action Date (MANDATORY ACTION CODE): Appropriate royalty rate code from base lease; DE 1775 Action Code (select single code number from 102-109)/DE 2910 Action Code (select single code number from 530-536 or 549).</p> <p>Enter Action Date: Expiration date of base lease; DE 1775/2910 Action Code 763.</p> <p>If new lease is in production status, do not enter this code; instead, enter appropriate production code (DE 1775/2910 Action Code 650, 651, or 653).</p>	

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16f. OPTIONAL: Enter Action Date:
Effective date of partial
assignment; DE 1775 Action Code
564/DE 2910 Action Code 898.

NOTE: See Appendix 3 for a listing of
the key action codes from the
data standards that are to be
used in ALMRS Case Recordation
and Record System Release 1.0
in conjunction with the lease
transfers/assignments.

Adjudication	17.	Distribute approved assignment as described in Step I.F.1g, above. For nonproducing leases, the notice to be attached to the assignee's copy of the assignment form should help avoid lease termination or improper payment of rental, and should assist the assignee in notifying the MMS-DMD when a change in the payor occurs (see Illustration 19).	DISTRIBUTION OF APPROVED PARTIAL ASSIGNMENT
	18.	On producing leases, advise all parties of wells capable of production and that royalty payments must be submitted to the MMS. Keep in mind that the segregated portion of such a lease may revert to rental (terminable) status. In such cases, notify the lessee that the annual rental payments must be submitted to the MMS-DMD to prevent automatic termination of the lease by operation of the law.	

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